

110TH CONGRESS
1ST SESSION

H. R. 4085

To amend the Internal Revenue Code of 1986 to make permanent the penalty-free distributions from retirement plans to individuals called to active duty and the election to include combat pay as earned income for purposes of the earned income tax credit.

IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 6, 2007

Mr. KLEIN of Florida introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to make permanent the penalty-free distributions from retirement plans to individuals called to active duty and the election to include combat pay as earned income for purposes of the earned income tax credit.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Military Service Tax
5 Relief Act of 2007”.

1 **SEC. 2. DISTRIBUTIONS FROM RETIREMENT PLANS TO IN-**
 2 **DIVIDUALS CALLED TO ACTIVE DUTY.**

3 (a) IN GENERAL.—Clause (iv) of section 72(t)(2)(G)
 4 is amended by striking “, and before December 31, 2007”.

5 (b) EFFECTIVE DATE.—The amendment made by
 6 this section shall apply to individuals ordered or called to
 7 active duty on or after December 31, 2007.

8 **SEC. 3. ELECTION TO INCLUDE COMBAT PAY AS EARNED**
 9 **INCOME FOR PURPOSES OF EARNED INCOME**
 10 **TAX CREDIT.**

11 (a) IN GENERAL.—Clause (vi) of section 32(c)(2)(B)
 12 (defining earned income) is amended to read as follows:

13 “(vi) a taxpayer may elect to treat
 14 amounts excluded from gross income by
 15 reason of section 112 as earned income.”.

16 (b) PROVISION NOT SUBJECT TO EGTRRA SUN-
 17 SET.—Section 105 of the Working Families Tax Relief
 18 Act of 2004 (relating to application of EGTRRA sunset
 19 to this title) shall not apply to section 104(b) of such Act.

20 (c) EFFECTIVE DATE.—The amendment made by
 21 this section shall apply to taxable years ending after De-
 22 cember 31, 2007.

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